

RALEIGH SOUTHERN GATEWAY CORRIDOR STUDY



PRELIMINARY MARKET ASSESSMENT

prepared for raleigh urban design center & rsg consultant team prepared by
barrett consulting
march 30, 2015

STUDY OBJECTIVES

To examine key consumer & demographic trends impacting community development & evaluate those most applicable to the Raleigh Southern Gateway corridor

To provide an objective perspective on the Raleigh region's current development context & future growth patterns

To provide strategic, market-driven input throughout the planning process

Provide team with a baseline for key market indicators



DISCUSSION OUTLINE

Macro trends

Development context

Demand potentials

Summary

Next steps



SUMMARY

RSG Study area

Good base & strong fundamentals within a dynamic growing region with proximity to increasingly attractive CBD

Study area characteristics, location offer clear opportunities

- Proximity to downtown

- Single ownership parcels

- Existing, established residential neighborhoods provide foundation

Promising demographics

- Population & households projected to grow by 3%, 2015 – 2020

- 30% have BA or higher

- Diverse employment: 43% white collar; 33% service occupations & 24% blue collar

Competitive landscape is favorable

- Few opportunities for “in-town”/downtown-proximate living elsewhere in the region

- Proven market success at Renaissance Park (110 sales in 2014, avg \$230,000)

Pace of sales & development will be incremental & geographically uneven

SUMMARY: BOTTOM LINE

Raleigh Southern Gateway Corridor next 5 to 10 years

Preliminary market assessment findings

Use	Low	Medium	High
For-sale residential	800 \$165,000	1,300 \$165,000	2,080 \$165,000
MF rental units	250 rental units Avg. Rent = \$950	500 rental units Avg. Rent = \$950	750 rental units Avg. Rent = \$950
Office	40,000 – 50,000 SF	80,000 – 90,000 SF	+/- 150,000 SF
Resulting Supportable Retail	80,000 SF	100,000 SF	130,000 SF

Source:.. Barrett Consulting.; March 2015.

Significant catalysts and recruitment efforts will be important to the RSG's continued evolution & market success. While latent development opportunities exist, this is a “market maker” vs. “market taker” location. Implementation and execution will require strategic public leadership.

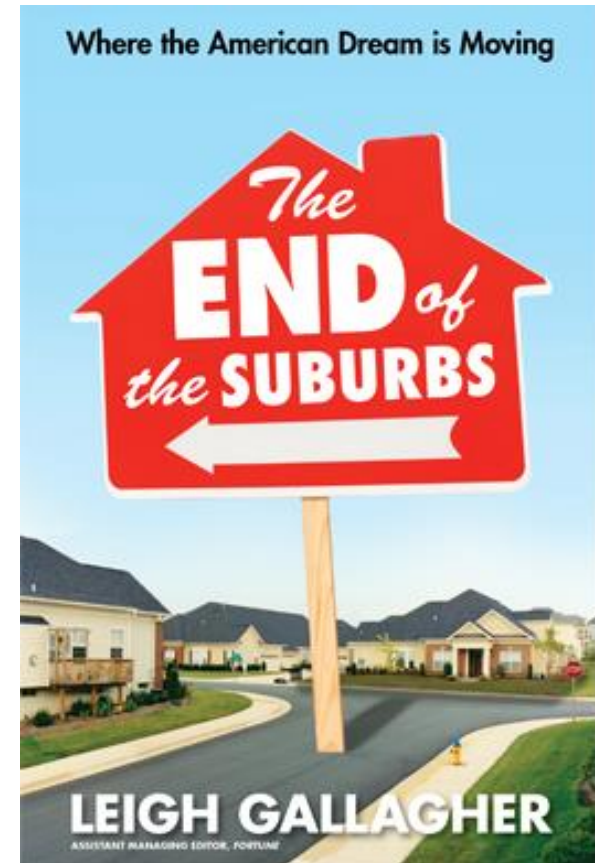
MACRO TRENDS: DEMOGRAPHICS

Emerging importance of quality of life

Demographics accelerating a trend already underway

Generations/dominant age cohorts – Boomers & Gen Y both demand greater convenience, walkability, nearby amenities

Smaller household size, increase in non-traditional households & trends like delaying marriage, postponing children, etc.— without nuclear family, primary motive to move to “the ‘burbs” is diminished



Source: "The End of the Suburbs, Where the American Dream is Moving," Leigh Gallagher.

MACRO TRENDS: GREATER HOUSING CHOICE

Housing demand & supply mismatch

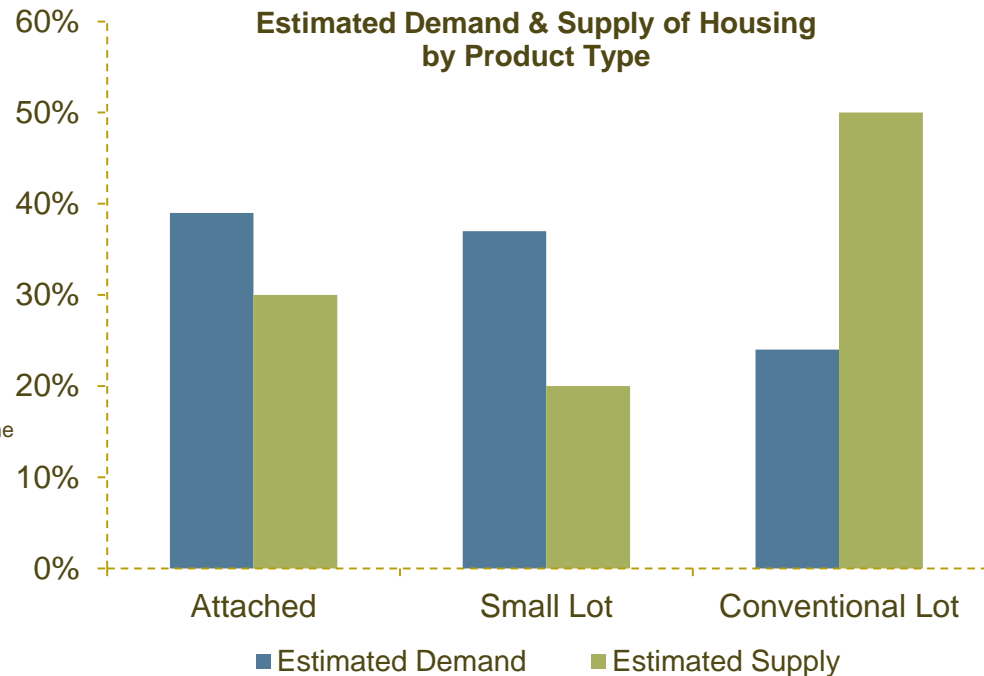
*“The Housing Satisfaction Gap: What People Want but Don’t Have”**

Changing consumer preferences

Locational factors increasingly important

Fewer traditional families—HH composition, multi-generational living & increasing diversity

*“The Housing Satisfaction Gap” is the name of a recent survey conducted by The Demand Institute that identified a range of unmet housing desires nation-wide.
www.demandinstitute.org.

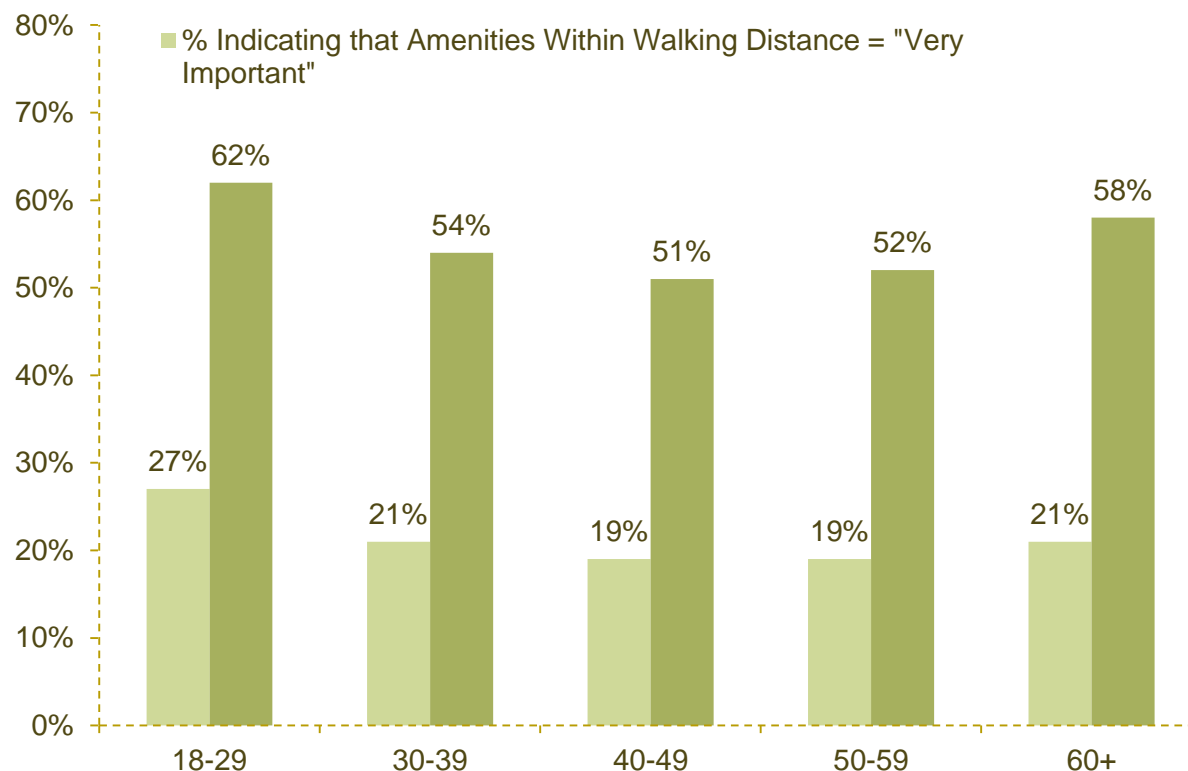


Source: National Association of Realtors Consumer Preferences Survey 2013; American Housing Survey; Reshaping Metropolitan America, A. C. Nelson; Barrett Consulting, March 2015.

MACRO TRENDS: WALKABILITY

Demand for greater convenience & accessibility

Especially for Boomers/Retirees & Gen Y



Source: National Association of Home Builders; The Demand Institute; The Conference Board; Barrett Consulting, March 2015.

MACRO TRENDS: WALKABILITY

WalkScore increasingly common metric to evaluate neighborhoods

Recent CEOs for Cities study shows walkability increases home values

Health & Well-being

Average resident of a walkable neighborhood weighs 6-10 pounds less

Estimate that for every 10 minutes in a daily car commute, time spent in community activities falls by 10%.

Environment

Feet are zero-pollution transportation

82% of CO2 emissions are from burning fossil fuels

Finances

Cars are the second largest household expense in the US

1 point increase in WalkScore correlates to increase in residential value (from 2% in Dallas to 12% in Charlotte)

Source: WalkScore.com; Barrett Consulting, March 2015.



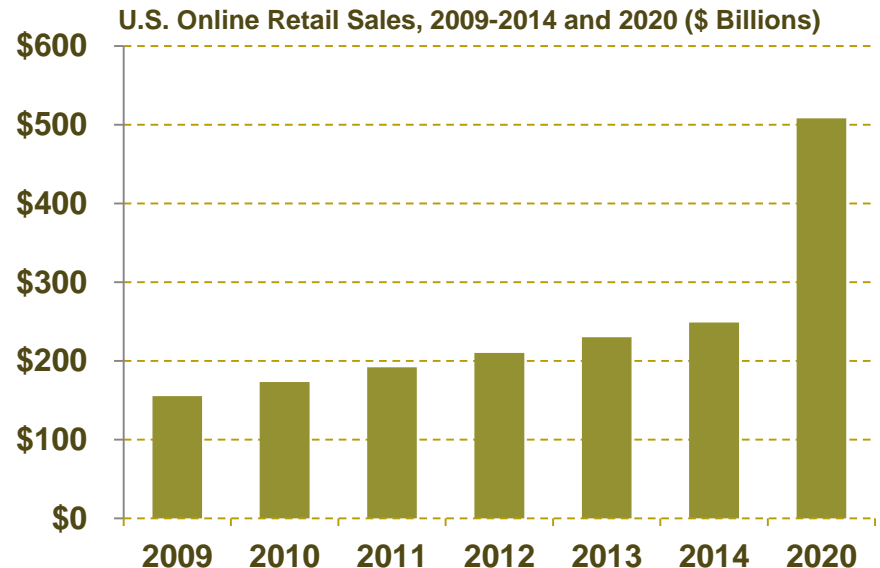
MACRO TRENDS: RETAIL

Growth in online retail sales/changing patterns of consumption

Reducing demand for bricks & mortar real estate

Elevates importance of the shopping experience; less utilitarian; more experiential; 61% of Gen Y view shopping as an entertainment

Mixed-use destinations with eating & drinking places, parks, Wi-Fi-enabled are more resilient; less susceptible to online competition



Source: NRF Foundation; Forester Research; IBM; NYU Stern School of Business.

Note: Online retail sales is defined as purchasing items via a web transactions.

MACRO TRENDS: OFFICE

Traditional office square footage requirements decreasing Non-traditional office space & new locational criteria

Traditional office users maximizing space

Space/worker declining

Forecast to drop ~ 14% from 2012 to 2017

Locational amenities important to
attracting talent; place-based recruitment

Emergence of non-traditional office
environs; location-independent work

Less expensive to be independent than it
used to be

Rise of 1099 economy

Co-working, collaborative work spaces



DEVELOPMENT CONTEXT

DEVELOPMENT CONTEXT: RALEIGH-DURHAM

Greater Triangle/RTP region

Metro area of 1.7 million people; strong demographics & robust economy

Dynamic regional economy

Duke, UNC, NC State, many others

Education, research & health powerhouse; 130,000 employed in these sectors

Anti-cyclical industries = resilience & continually refreshed talent pool

Population growth of 7% since 2010 (faster than Houston or Dallas)

College-education population 42% (double the national average)

Robust domestic migration

Urban Land Institute 2014 – one of the best markets on all 3 fronts—investment, development & homebuilding

ULI noted 3 weakness:

Limited “live, work, play” environments

Lack of amenities in CBD

Limited mixed use walkable communities

DEVELOPMENT CONTEXT

Raleigh Metropolitan Statistical Area (MSA)

Four constituent counties: Wake, Franklin, Johnston, Nash

Projected near-term population & HH Growth, 2014 - 2019

Raleigh MSA pop growth = 2% (on a base of 1.2 M in 2014)

Raleigh MSA HH growth = 2% (on a base of 462,200 in 2014)

Wake County represents 75% of MSA HHs; City of Raleigh = 36% of MSA HHs

Raleigh MSA payroll employment 570,830; 2014

Very low unemployment (4% Raleigh MSA)

Current employment is 8% above pre-recession levels (~22,200 jobs lost, 2008-2010; 4% of employment base)

Strong job growth projected over near term (+/- 16,100 jobs a year, 2015 - 2020)

Housing market

2014 new SFD closings exceeded previous 6 years (Wake County new closings up 68% since 2009 low of 2,695 new SFD closings)

2014 average price: \$359,172; up 4% over 2013

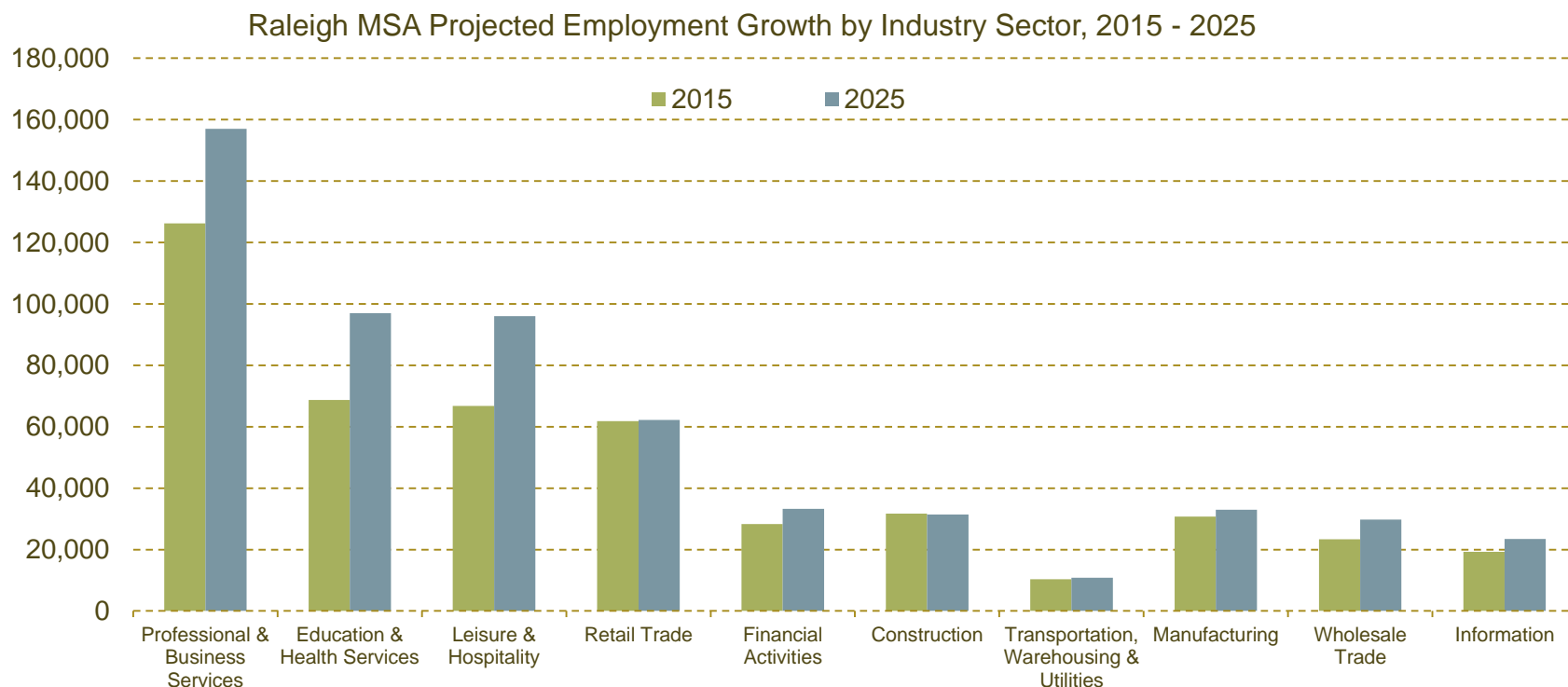
Central Raleigh average price (new SFD) consistently 6% above Wake County average; ~10% below Cary

Resale \$ in Central Raleigh 17% above Wake County average (\$326,123 and \$278,298, respectively)

DEVELOPMENT CONTEXT: EMPLOYMENT

Raleigh MSA employment growth, 2015 - 2025

30% growth in professional & business services, education & health services



(1) Includes Wake, Johnston, Nash & Franklin Counties.

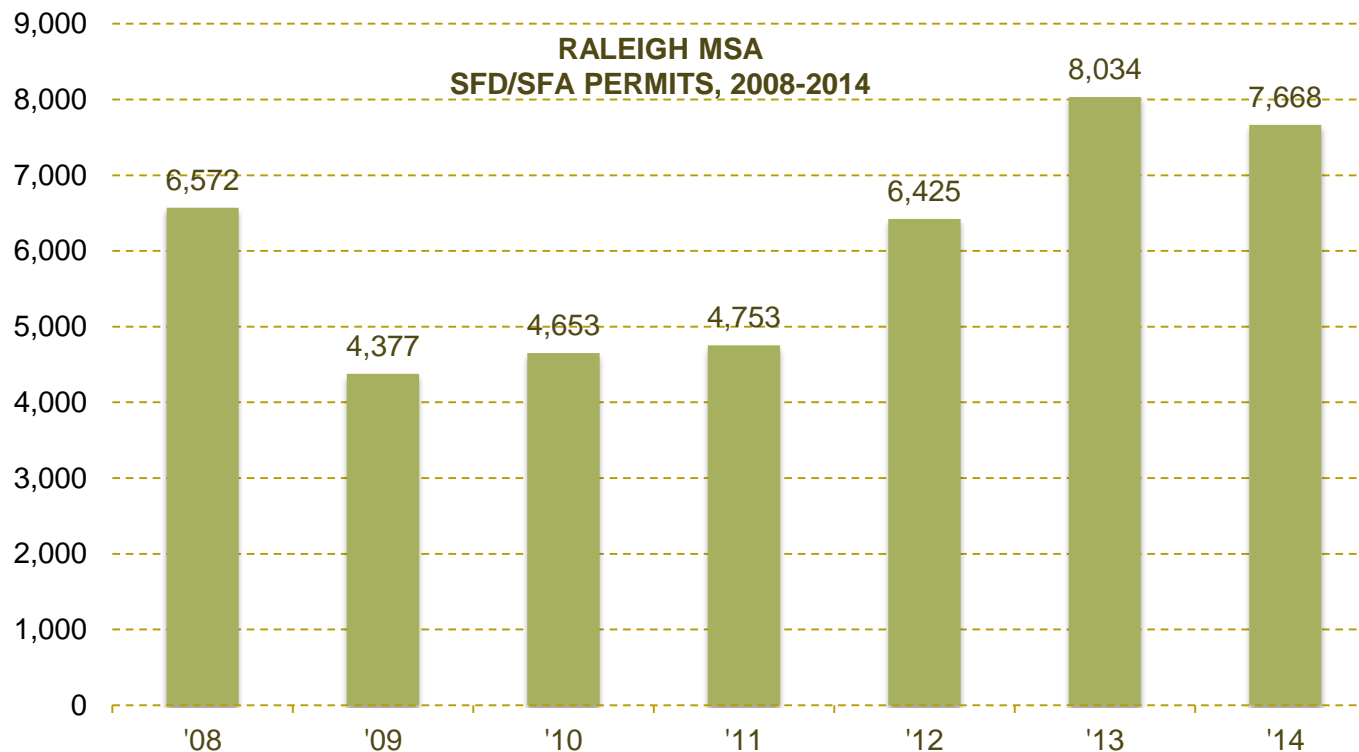
Source: Moody's Analytics Employment Forecast; Barrett Consulting.; March 2015.

Regional job growth in key office-using sectors—professional services, health & education & finance—is a positive factor for Raleigh regional office demand & absorption potential.

DEVELOPMENT CONTEXT: BUILDING PERMITS

SFD building permits slowly rebounding

Pent-up demand during recession led to growth spurt, 2011 - 2013



Data is preliminary for 2014.

Source: US Department of Housing & Urban Development; Barrett Consulting, March 2015.

DEVELOPMENT CONTEXT: NEW CLOSINGS X SUB-MARKET

SW submarkets dominate new SFD closings

Apex, Holly Springs, FV & Cary represent 45% of all new SFD closings in Wake Co.

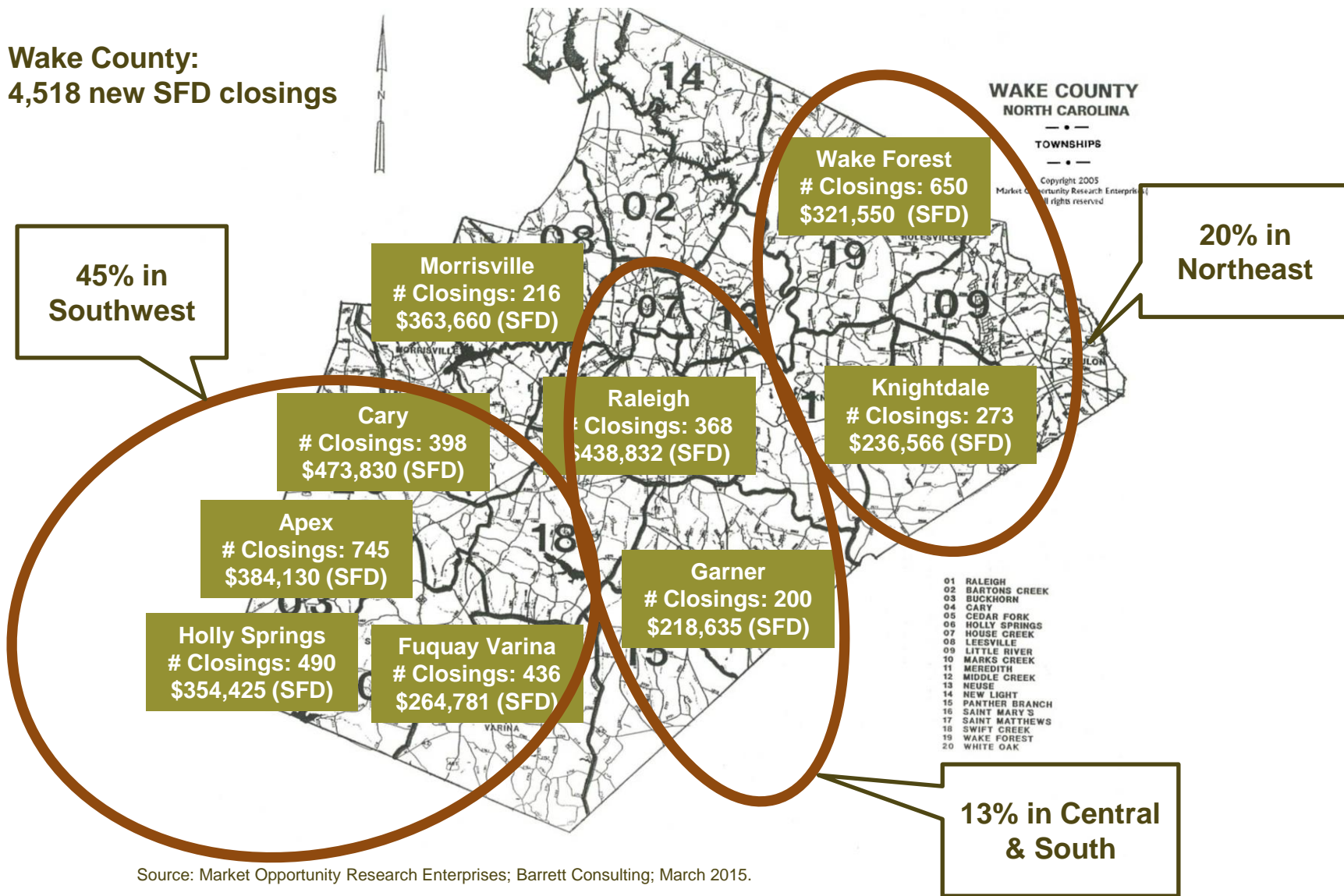
	% MSA	NEW SFD CLOSINGS			
		2014		2013	
		# SFD Closings	Avg. SFD \$	#	Avg. SFD \$
Wake County	100%	4,518	\$359,172	10%	3%
Apex	17%	745	\$384,128	27%	-4%
Wake Forest	14%	652	\$321,548	-5%	3%
Holly Springs	11%	489	\$354,425	-6%	6%
Fuquay-Varina	10%	436	\$264,781	4%	10%
Cary	9%	398	\$473,830	56%	-
Raleigh	8%	368	\$438,832	17%	-9%
Knightdale	6%	273	\$236,566	-7%	9%
Morrisville	5%	216	\$363,666	19%	-1%
Garner	5%	200	\$218,635	46%	20%

LTM = last twelve months.

Source: Market Opportunity Research Enterprises; Barrett Consulting.; March 2015.

DEVELOPMENT CONTEXT: NEW CLOSINGS BY SUB-MARKET

Wake County:
4,518 new SFD closings



Source: Market Opportunity Research Enterprises; Barrett Consulting; March 2015.

DEVELOPMENT CONTEXT: RESALE CLOSINGS X SUB-MARKET

More established submarkets dominate resales (Raleigh & Cary)

Garner inventory up substantially, prices also increasing

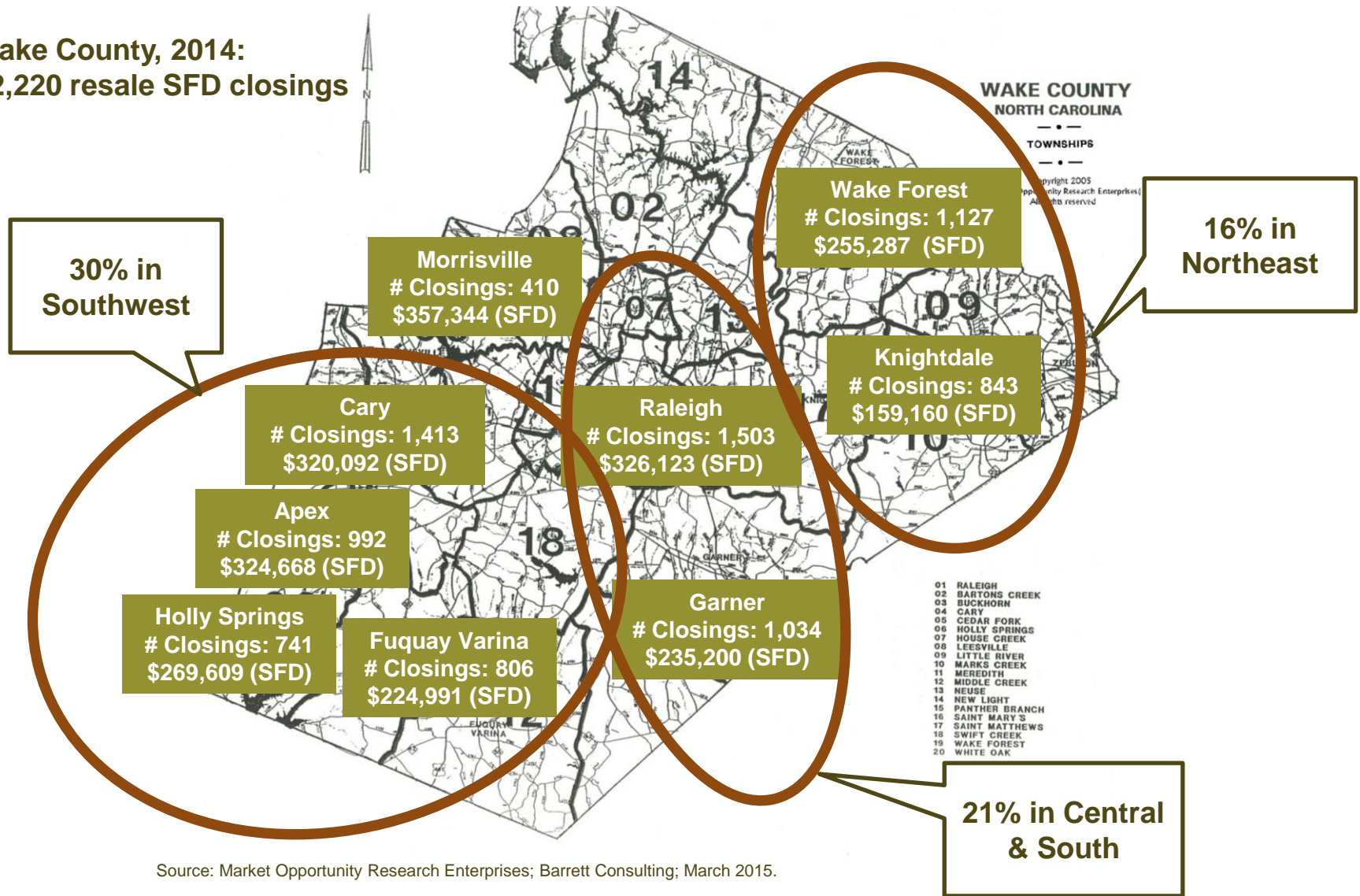
RESALE SFD CLOSINGS					
	% MSA	2014		2013	
		# SFD Closings	Avg. SFD \$	#	Avg. SFD \$
Wake County	100%	12,220	\$278,298	8%	4%
Apex	8%	992	\$324,668	4%	7%
Wake Forest	9%	1,127	\$255,287	19%	-2%
Holly Springs	6%	741	\$269,609	10%	6%
Fuquay-Varina	7%	806	\$224,991	4%	5%
Cary	12%	1,413	\$320,092	5%	3%
Raleigh	12%	1,503	\$326,123	6%	12%
Garner	8%	1,034	\$235,200	5%	10%
Knightdale	7%	843	\$159,160	23%	1%
Morrisville	3%	410	\$357,344	13%	11%

LTM = last twelve months.

Source: Market Opportunity Research Enterprises; Barrett Consulting.; March 2015.

DEVELOPMENT CONTEXT: RESALE CLOSINGS BY SUBMARKET

Wake County, 2014:
12,220 resale SFD closings



Source: Market Opportunity Research Enterprises; Barrett Consulting; March 2015.

DEVELOPMENT CONTEXT: RENTAL APARTMENTS

Raleigh regional apartment market is booming

Nearly 8,000 units UC & 4,700 proposed

Region-wide vacancy of 4.4% in stabilized projects (7% is considered healthy)

Average rent growth of 3% y-o-y; currently \$946; \$0.983/SF

4,400 units absorbed in 2014 despite 5,545 units completed

Wave of new development likely to increase vacancy rate

Particularly in Wake Central (downtown Raleigh) with 2,800 units UC & 1,000+ proposed; 35% & 20% of regional pipeline, respectively

Vacancies could reach 9-10% in 2015 & rent growth is expected to slow.



Source: RealData Apartment Index; Barrett Consulting; March 2015.

DEVELOPMENT CONTEXT: RENTAL APARTMENTS

Rental apartment market by submarket, February 2015

5,700 units UC in Wake County & `3,000 propped

Submarket	Total Units*	Market %	Vacancy Rate	Avg. SF	Avg. Rent	Avg. Rent/SF
Wake County	73,279	62%	7%	969	\$949	\$0.98
Central	14,206	12%	11%	910	\$1,004	\$1.10
East	3,408	3%	5%	987	\$903	\$0.92
North 1	15,515	13%	8%	946	\$877	\$0.927
North 2	4,519	4%	6%	1,043	\$933	\$0.90
Northwest	10,891	9%	7%	933	\$877	\$0.94
South	8,488	7%	5%	1,025	\$1,044	\$1.02
Southwest	16,252	14%	6%	1,012	\$983	\$0.97
Orange County	10,530	9%	7%	917	\$969	\$1.06
Durham County	35,290	30%	7%	964	\$934	\$0.97
Regional Total	119,099	100%	7%	963	\$946	\$0.98

* Projects with 50+ units.

Source: Apartment Index; March 2015.

DEVELOPMENT CONTEXT: RENTAL APARTMENTS

Central Wake Co.: ~3,000 rental units currently under construction

13 projects in/proximate to CBD

Project	Location	Developer	Units	Expected Completion
The Avenues	Ratchford Dr/Six Forks	Davis Development	297	Na
Bacarra	Western/I-40	Carroll Companies	312	August 2015
Courtland	Hillsborough & Concord	Valentine	156	Na
Devon 425	Tucker Street	Southern Land	104	1 st Q 2015
The Edison	109 Davie St	NRP Group	223	Na
The Gramercy	West North St	Blue Ridge Realty	203	Na
Jones Grant	Wake Towne Dr	Davis Prop. Group	243	March 2015
L Building	201 W. Davie	Empire Properties	83	March 2015
The Lincoln	Martin & East Streets	Florian Capital	224	Na
Link Apartments	201 N. Harrington	Grubb Properties	203	Na
Post Parkside @ Wade	Tbd	Post Properties	391	Na
Skyhouse	Wilmington Street	Novare Group	320	March 2015
Walnut Terrace	MLK Blvd	Raleigh Hsg Auth.	104	1 st Q 2015
Total			2,863	

Source: Apartment Index;; March 2015.

DEVELOPMENT CONTEXT: RENTAL APARTMENTS

Elsewhere in Wake Co.: ~3,000 additional units under construction

14 projects through Wake County

Project	Location	Developer	Units	Expected Completion
Beach Wood	East Wake	Palms Assoc.	72	
Calvary Trace	North Wake 1	PIRHL	92	
Meridian @ Sutton Sq	North Wake 1	NorthView Partners	188	
Village @ Town Ctr	North Wake 1	Carroll Companies	216	October 2015
Clairmont @ Capital	North Wake 2	Kotarides	328	
The Cliffs	North Wake 2	Carroll Companies	312	May 2015
Marshall Pk on Greenway	North Wake 2	Woodfields Invstments	384	Q1 2015
Adeline White Oak	Wake South/Garner	Carroll Companies	264	June 2015
The Franklin	Wake South	Dewitt RE Svcs	199	Na
Holly Woods@Sunset Lks	Wake South	Halcon Companies	64	Na
Meridian@ Harrison Pte	Wake-SW	Northview Prtnrs	101	Q1 2015
Parkside Place	Wake-SW	Dominion Realty Prtnrs	276	May 2015
Phillips Chatham Pt	Wake-SW	Phillips Development	59	April 2015
Vue 360	Wake-SW	Davis Develoipment	300	Na
Total			2,855	

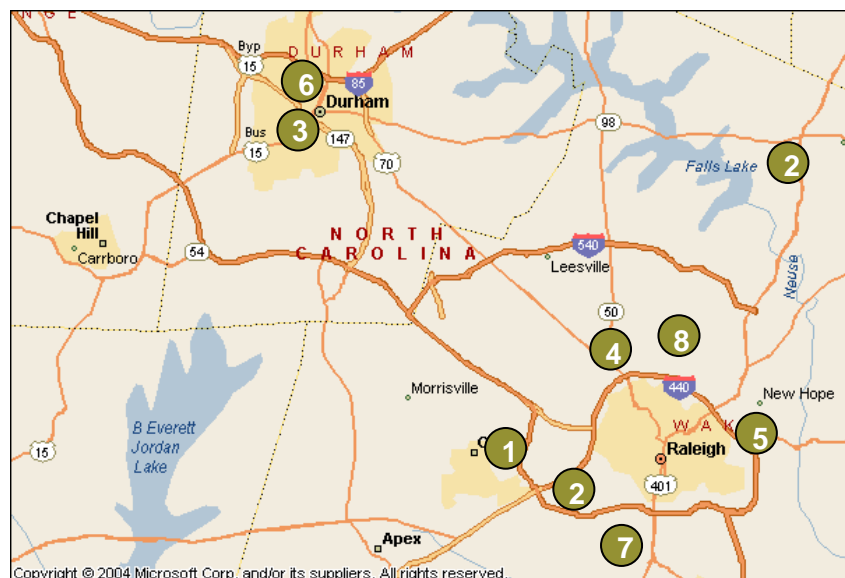
Source: Apartment Index;; March 2015.

DEVELOPMENT CONTEXT: RETAIL

Region well-served by retail

Mix of up-scale & neighborhood-serving; decentralized centers follow rooftops

#	Retail Centers	SF
1	Cary	5.6 m
2	Capital Blvd/US 1	5.0 m
3	South Durham	4.5 m
4	US 70/Glenwood	4.4 m
5	E. Raleigh/US 64	4.1 m
6	North Durham	3.6 m
7	Southern Wake Co.	2.0 m
8	Six Forks Road	2.0 m



Source: Grubb & Ellis; Barrett Consulting; March 2015.

DEVELOPMENT CONTEXT: OFFICE

Tech firms fueling office growth

Raleigh CBD: highest rental rates (\$25.49/sf)

Majority of occupancy gains from local tenants expanding

Competitive leasing & new construction pushing rents higher in favored quarters

Tenants w/ leases up can expect 3-5% increase in renewal rates

Durham CBD creative spaces rents reached \$30/SF, driven by high-tech & start-up firms

Surge of new inventory

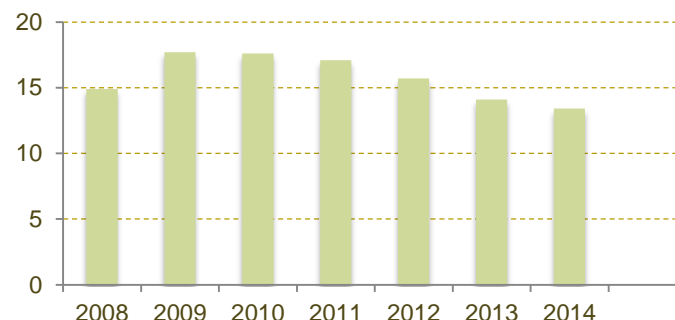
1M+ SF of speculative, Class A office to be delivered over the next 18 months,

Increase in competition among landlords

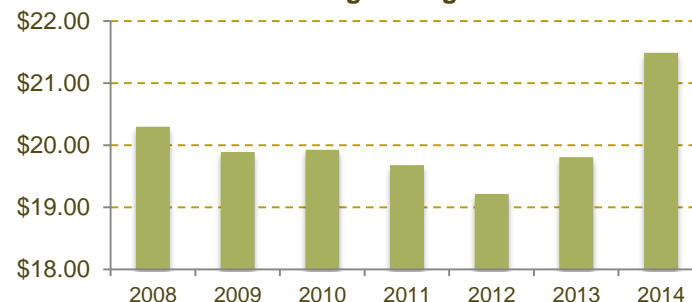
Developers will be cautious; observing pre-leasing activity

Source: Jones Lang Lasalle; Barrett Consulting; March 2015.

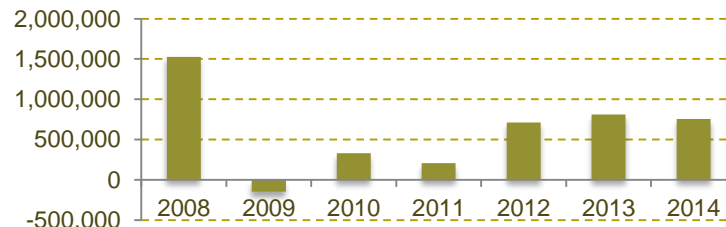
Vacancy Rates



Direct Avg Asking Rent



Absorption



DEMAND POTENTIALS

DEVELOPMENT CONTEXT: STUDY AREA

RSG study area

Urban/suburban infill w/in a dynamic, growing region

Population increase of 3% expected,
2014-2019 (from 6,845 residents to
8,000 in 2019)

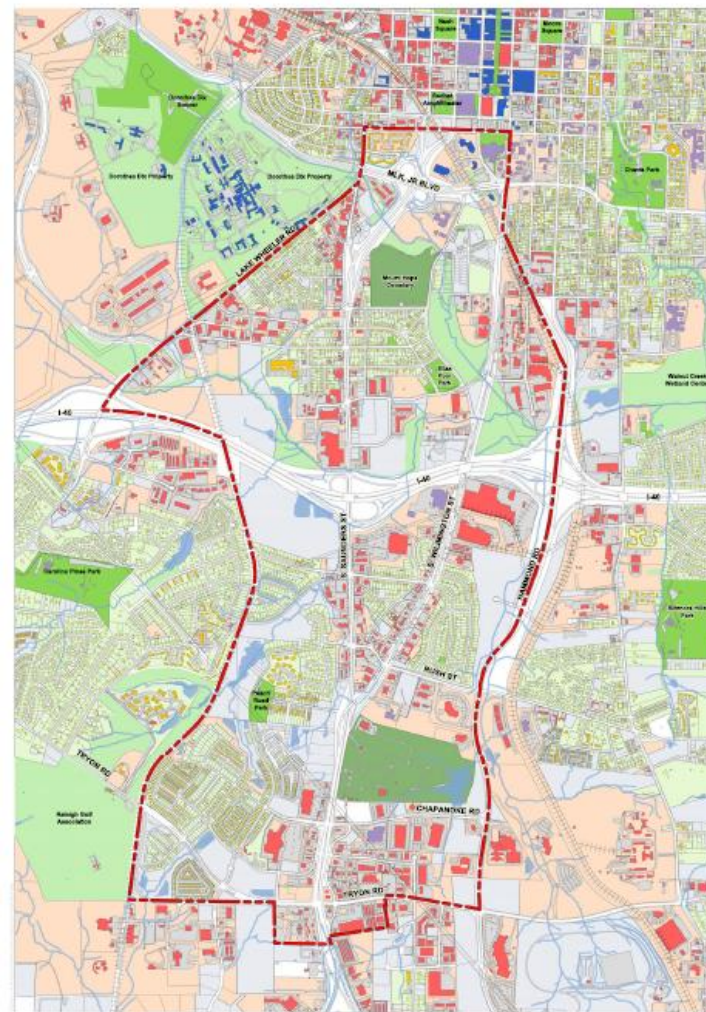
Median income increase of 15% over
same time period; incomes remain
modest

2014: \$35,200

2019: \$40,400

800+ businesses & 5,900 employees in
study area today

At the farthest point, just ~3 miles to city
center



Source: JDavis; March 2015.

DEVELOPMENT CONTEXT: STUDY AREA

Raleigh Southern Gateway

Existing context

Well-served by major roads (over-served?)

High *potential* visibility

Transportation choices lacking

Pedestrian & bike safety obvious concerns

Home to special sites

Caraleigh Mills

Bain Waterworks

Historic African American neighborhoods

Latino Supermarket

Existing residential services

Target on Timber Drive in Garner

Wal-Mart Super Center (with food)

No grocery store in immediate vicinity

No drug store in immediate vicinity



Bain Water Treatment Plant

DEVELOPMENT CONTEXT: RSG TAPESTRY PROFILE™



Young & Restless (60%)

Population: 3,396; HHS: 1,360

Profile 29 yr; single, living alone or in shared HHs; BA+

Diversity Index 70.0

Employment Beginning careers, prof. & tech services

Housing preferences skew toward large MF apt communities



Metro Fusion (20%)

Population: 1,660; HHs: 560

Profile 28 yrs.; single parent (25%) & single-person HHs dominate

Diversity Index 84.0

Employment Hard working, climbing the ladder in admin/sales

Housing preferences skew toward mid-size rental communities



Hard Scrabble Road (20%)

Population: 1,660; HHs: 560

Profile 32 yrs, families in multi-gen HHs; young kids; 38% have HS diploma only

Diversity Index 74.2

Employment Transp. & production, office & administrative support

Housing preference SFA/SFD to accommodate large families

Source: ESRI Tapestry Customer Segmentation; Barrett Consulting; March 2015.

DEMAND POTENTIALS: RETAIL

Immediate demand for a drugstore

Additional retail potential will require further study

Raleigh Southern Gateway Retail Leakage Estimates				
Industry	Demand	Supply	Leakage	Opportunity
Healthcare & Personal Care Stores	\$3,020,500	\$0	\$3,020,500	+/- 10K SF Walgreens, CVS, etc.
Clothing & Accessories	\$2,647,600	\$766,300	\$1,881,300	+/- 8K SF 5, 1,200-SF stores 10 small indies <1k SF each
Sporting Goods, Hobbies, Books, & Music Store	\$897,00	138,90	\$785,100	~3K SF Not enough demand to compete early on
Grocery Stores	\$6,345,100	\$5,399,530	\$604,775	+/- 2K SF Not enough sales/SF to be viable
Eating & Drinking Places	\$4,880,000	\$6,380,000	\$1,500,000	+/- 5K SF of dining 3-4 small restaurants Co-located = dining district <i>Note: field study to better understand character, quality & current supply</i>

Source: ESRI Tapestry Customer Segmentation; Barrett Consulting; March 2015.

DEVELOPMENT POTENTIALS: GROCERY STORE

Grocery stores are traffic generators & good neighborhood anchors

Notoriously risky; extremely low profit margins

Grocery store site selection criteria

- Population density & education level

- Rule-of-thumb: underserved at <3 SF/person w/in a 2-mile trade area

- Crowded stores often make no profit

RSG study area is a food desert

- No supermarkets, except Latino Market

- According to ESRI, 11 food stores; evaluate quality, character & offerings

- Super Wal-Mart on Fayetteville Road includes grocery store



DEMAND POTENTIALS: FOR-SALE RESIDENTIAL

Raleigh MSA regional for-sale housing demand

Sources of demand, age & income qualified households, 2015 – 2020

Household income \$50,000+

Age of HH	Lifestage	Sources of Housing Demand			Total Potential Demand
		Demand from New HHs	Existing Household Turnover Owners	Renter	
25 - 34	Young Singles & Couples	762	2,524	236	3,522
35 - 44	Families w/ Young Kids	1,049	3,821	108	4,978
45 - 54	Families w/ Older Kids	1,208	2,918	54	4,180
55 - 64	Empty Nesters	2,141	1,455	23	3,619
65+	Retirees	1,962	581	6	2,549
Total		7,122	11,299	428	18,849

Average Annual Demand for New Homes, 2015-2020

Preference for new construction	25%
Average annual new unit demand	4,712
Potential RSG Study Area capture	3%
RSG Study Area average annual new unit demand, baseline	140

Source: ESRI; US Census Bureau American Communities Survey; Barrett Consulting, March 2015.

DEMAND POTENTIALS: FOR-SALE RESIDENTIAL

RSG study area next five years potential for-sale absorption

From low of 160 to high of 400+

High absorption scenario would require range of product types across multiple sites

	Raleigh Southern Gateway For-Sale Residential Absorption, 2015 -2020		
	Low	Medium	High
Wake County Annual Avg. New Closings, 2015 – 2020	5,200	5,200	5,200
RSG Study Area Capture	3%	5%	8%
Average Annual	160	260	416
Potential RSG Housing Growth, 2015 – 2020	800	1,300	2,080

Source: Barrett Consulting; March 2015.

DEMAND POTENTIALS: FOR-SALE RESIDENTIAL

Renaissance Park

Average closings 2012 – 2014 = 110 SFD & SFA

Single-family, detached

+/- 50 new closings/year

\$250,000 - \$300,000

Market share of 17% of that \$ price band in Wake County

1 in 5 closings in that price range

Townhomes

+/- 60 new closings/year

\$150,000 - \$200,000



Renaissance Park

Source: Market Opportunity Research Enterprises; Barrett Consulting, March 2015.

DEMAND POTENTIALS: RENTAL

Raleigh MSA regional rental housing demand

Sources of rental housing demand by age & income qualified households, 2015 – 2020
Household income \$35,000 - \$100,000

		Sources of Housing Demand			Total Potential Demand
Age of HH	Lifestage ⁽²⁾	Demand from New HHs	Existing Household Turnover		
			Owners	Renter	
Under 25	Student/Young Adult	242	11	1,877	2,130
25 - 34	Young Singles & Couples	796	184	5,253	6,233
35 - 44	Families w/ Young Kids	126	210	2,060	2,396
45 - 54	Families w/ Older Kids	104	176	1,117	1,397
55 - 64	Empty Nesters	283	127	603	1,013
65+	Retirees	273	74	353	700
Total		1,823	783	11,263	13,870

Average Annual Demand for Rental Units, 2015-2020

Preference for MF apartment community	20%
Total new unit demand	2,774
Potential RSG study area capture	8%
New rental unit demand	222

Source: ESRI; US Census Bureau American Communities Survey; Barrett Consulting, March 2015.

DEMAND POTENTIALS: RENTAL

Rental apartments an obvious use for “pioneering” RSG location

Evidence of pending MF “bubble” implies caution

35% of the 8,000 rental units under construction are in downtown Raleigh or periphery

Surge in inventory will make leasing highly competitive over next 18-24 months

More affordable rents in superior locations slows the “jump” to new/pioneering locations like RSG

Opportunities w/ right developer, in right location & filling a unique niche can still be successful

Fully-integrated apartment community (not isolated); mindful of scale (<200 units per community)



The Lincoln, currently under construction in downtown Raleigh.

DEMAND POTENTIALS: OFFICE

Raleigh MSA demand from new “office workers”

Estimated demand: +/- 3.5 M SF office over the next 5 years; approx. 700,000 SF/ year

	Projected			% Office Users (1)	Est. SF per Office User (2)	Projected Regional Demand
	2015	2025	Change			
Total Payroll	594,770	731,680	136,910	-	-	-
Total Nonfarm Employment	585,690	722,150	136,460			
Employment by Industry						
Wholesale Trade	23,330	26,970	3,640	10%	175	63,700
Retail Trade	61,790	61,950	160	10%	175	2,800
Leisure & Hospitality	66,770	82,010	15,240	10%	150	228,600
Financial Activities	28,300	31,070	2,770	80%	150	332,400
Professional & Business Services	126,270	144,470	18,200	80%	150	2,184,000
Educational Services	9,360	10,600	1,240	50%	100	6,200
Health Care & Social Assistance	59,390	71,450	12,150	50%	100	607,500
Subtotal						3,481,000
						3.5 M SF
TOTAL DEMAND						
Average Annual						700,000

(1) Reflects industry standard for share of employees in each employment sector requiring office space.

(2) Based on industry standard square foot per employee by sector.

Source: Moody's Analytics; Barrett Consulting, March 2015.

DEMAND POTENTIALS: OFFICE

Raleigh MSA office demand & RSG potential capture, next 5 years

Low, medium & high scenarios

Raleigh MSA Office Demand, 2015 – 2015:

3.5 Million SF

	Low	Medium	High
Downtown & Adjacent Share			
%	45%	50%	50%
SF	1.6 M	1.8 M	1.9 M
RSG Capture			
%	3%	5%	8%
SF	47,250	87,500	154,000

DEMAND POTENTIALS: OFFICE

Cluster of several non-traditional office tenants

And/or large, institutional user recruited as catalyst

Indie-industrial appeal attractive to tech workers
& creative industries seeking flexibility & up
potential

Appeal of suburban flexibility in urban-proximate
setting

Sites that enhance views of downtown (prestige)



Half-Mile North, Charleston, SC

DEMAND POTENTIALS: RETAIL

RSG supportable retail demand, next 5 to 10 years

Low, medium & high scenarios driven by residential absorption estimates

Assumptions	Low	Medium	High
For-sale residential	800 \$165,000	800 \$165,000	800 \$165,000
Rental units	250 rental units Avg. Rent = \$950	500 rental units Avg. Rent = \$950	750 rental units Avg. Rent = \$950
Potential New Office Workers	47,250 SF office 240 employees Assumes 200 SF/ worker	87,500 SF office 440,000 workers Assumes 200 SF/ worker	154,000 SF office 770 workers Assumes 200 SF/ worker
Resulting Supportable Retail	80,000 SF	100,000 SF	130,000 SF

Source: Barrett Consulting, March 2015.

SUMMARY

RSG Study area

Good base & strong fundamentals within a dynamic growing region with proximity to increasingly attractive CBD

Study area characteristics, location offer clear opportunities

- Proximity to downtown

- Single ownership parcels

- Existing, established residential neighborhoods provide foundation

Promising demographics

- Population & households projected to grow by 3%, 2015 – 2020

- 30% have BA or higher

- Diverse employment: 43% white collar; 33% service occupations & 24% blue collar

Competitive landscape is favorable

- Few opportunities for “in-town”/downtown-proximate living elsewhere in the region

- Proven market success at Renaissance Park (110 sales in 2014, avg \$230,000)

Pace of sales & development will be incremental & geographically uneven

SUMMARY

Observations, opportunities & challenges

	Context / Observations	Opportunities	Challenges
Rental Apartments	<p>Region is approaching MF rental saturation; nearly 8,000 units to be delivered over the next 18 months.</p> <p>Especially in downtown where there are ~4,000 units in the development pipeline.</p>	<p>Lots of jobs proximate to study area; easy access to downtown & regional employment centers.</p> <p>Improving residential services.</p> <p>Few competitive/comparable apartment development sites with similar downtown proximity.</p> <p>Views of downtown Raleigh skyline.</p>	<p>Big roads; I-40 psychological & physical barrier.</p> <p>Development costs vs. attainable rents.</p> <p>Perceptions of safety/security.</p>
Office	<p>Regional job growth indicates continued office demand.</p> <p>CBD is location of choice for region's prestigious office address.</p> <p>Limited in-town development sites, high development costs present challenges for any sizeable office user that wants to be in CBD.</p>	<p>Vibrant, naturally occurring tech / start-up / creative industry employment clusters.</p> <p>Several development sites of scale in the study area; appealing to office developers looking for downtown proximity w/out development complexities.</p> <p>Views of downtown Raleigh skyline.</p>	<p>Big roads; I-40 psychological & physical barrier.</p> <p>Development costs vs. attainable rents.</p> <p>Not an established/prestigious office address. (This also means opportunity for the right, forward-thinking developer/user.)</p>

SUMMARY

Observations, opportunities & challenges, *continued*

	Context / Observations	Opportunities	Challenges
For-Sale Residential	<p>Wake County new closings up 24%.</p> <p>New condo closings improving.</p> <p>Little for-sale pipeline proximate to CBD.</p>	<p>High demand for in-town/proximate living.</p> <p>“Urban-suburban” living = best of both worlds.</p> <p>View of downtown.</p>	<p>No market identity, regional position unclear.</p> <p>Current quasi-industrial context; not an “upscale” address.</p> <p>Development costs vs. attainable rents.</p> <p>Perceptions of safety/security.</p>
Retail	<p>HH growth will drive increased retail demand, pushing retail development into new locations.</p> <p>Study area a “food desert”.</p>	<p>Other uses – apartments, office, SFD – will drive retail demand in the study area.</p> <p>Large sites under single ownership (possibly) receptive to redevelopment.</p> <p>High visibility.</p> <p>Potential inflow from commuters.</p>	<p>Image. Current industrial context.</p> <p>Current income levels & density does not reflect future market demand.</p> <p>Development costs vs. attainable rents.</p> <p>Perceptions of safety & security.</p> <p>Limited walkability, foot traffic.</p>
Other Uses, Civic & Waterfront	<p>Growing & healthy region driving demand for variety of uses (biking, walking trail, parks, event venues).</p>	<p>Central location within the region & great regional access.</p> <p>Potentially well-positioned for a variety of destination uses.</p>	<p>Study area is vast—how to achieve greatest impact unclear.</p> <p>Development costs.</p> <p>Current industrial context.</p> <p>Perceptions of safety & security</p>

EMERGING POV

Point of View

Encourage residential development

Facilitate the evolution of interconnected
greenspace, bike & ped connections

Shape opportunistic development
plans/concepts

Strategic vs. tactical decisions

Nurture infill residential development

Rehab assistance center, builders guild

Building material reclamation warehouse

Demonstrate market potential

“Pitch book”

Open source development tools



EMERGING “SOFT SITES”

RSG Soft Sites

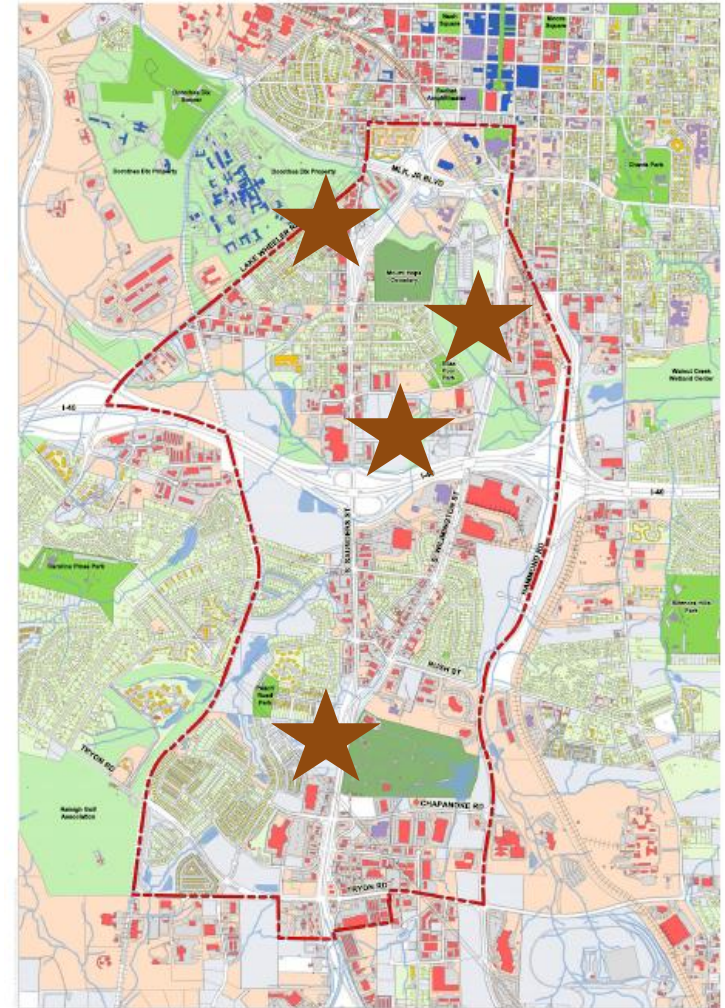
Maywood & South Saunders

Penmarc Site

Cargill Plant

“Locked” parcel near Renaissance Park

Scattered SFD/SFA infill sites



NEXT STEPS

Questions, comments, feedback on market assessment

Prepare data notebook for team use (PPT & supporting data tables for reference)

Design charrette

Next level of market analysis/input

- Site-specific concept plans

- Development scenarios
